

COMMONWEALTH OF PENNSYLVANIA

August 9, 2017

E-FILED

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

**Re: UGI Central Penn Gas, Inc. 2017 Purchased Gas Costs Filing
Docket No. R-2017-2602627**

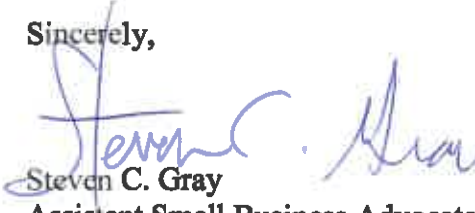
Dear Secretary Chiavetta:

I am delivering for filing today the Statement in Support of the Stipulation in Settlement of Section 1307(f) Rate Investigation, on behalf of the Office of Small Business Advocate ("OSBA"), in the above-captioned proceeding.

Copies will be served on all known parties in this proceeding, as indicated on the attached Certificate of Service.

If you have any questions, please do not hesitate to contact me.

Sincerely,


Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Enclosures

cc: The Honorable Steven K. Haas
Mr. Robert D. Knecht
Parties of Record

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PENNSYLVANIA PUBLIC UTILITY COMMISSION	:	
	:	
v.	:	DOCKET NO. R-2017-2602627
	:	
UGI CENTRAL PENN GAS, INC.	:	

**STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
STIPULATION IN SETTLEMENT OF SECTION 1307(f) RATE INVESTIGATION**

Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a complaint in the above-captioned proceeding, which was initiated by UGI Central Penn Gas, Inc. (“UGI CPG” or the “Company”), on June 1, 2017.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Stipulation in Settlement of Section 1307(f) Rate Investigation (“*Stipulation*”). The OSBA submits this statement in support of the *Stipulation*.

The Stipulation

The *Stipulation* sets forth a comprehensive list of issues that were resolved through the negotiation process. In its prehearing memo, the OSBA identified four issues that it intended to pursue in this proceeding:

- Whether the Company's actual and forecast load and unaccounted-for gas ("UFG") rates are reasonable;
- Whether the Company's capacity release/off-system sales sharing mechanism is being reasonably employed and is properly incenting the Company to maximize the value of assets paid for by its customers;
- Whether the Company's design day demand forecasting and peak day capacity requirements are reasonable;
- Whether the Company's proposal to consolidate its annual GCR filing with its sister companies' GCR filings is just, reasonable and proper.

Regarding the first issue, OSBA did not identify any significant concerns about either the level or trends in UFG rates in this proceeding.

Regarding the second issue, the Company continues to use the standard 75/25 sharing mechanism, and OSBA did not contest continued use of that mechanism in this proceeding.

Regarding the third issue, time and budget constraints precluded OSBA from undertaking an independent detailed evaluation of the Company's design day forecasting method in this proceeding. Nevertheless, OSBA monitored the Office of Consumer Advocate ("OCA") and Company testimony and analysis on this issue. The OSBA shares the OCA's concerns that the Company's "one-day" methodology is problematic, and may be unduly influenced by anomalies on that day. Based upon the OSBA's review, the settlement adjustment agreed to by the parties

represents a reasonable compromise between the views of the Company and the OCA.

The final issue was of particular significance to the OSBA when it concluded that the *Stipulation* was in the best interests of UGI Gas's small business customers.

CPG's Plan for Consolidation: The OSBA stated its position, in its prehearing memorandum, that it did not oppose the procedural consolidation of the UGI 2017 Section 1307(f) filings.¹ However, the OSBA unequivocally stated its opposition to the substantive consolidation of those filings. *See Office of Small Business Advocate Prehearing Memorandum*, at 4.

As explained by OSBA witness Robert D. Knecht, the Company proposed the following:

According to Companies' witness Ms. Angelina M. Borelli, the Company is developing a plan to consolidate its purchased gas costs ('PGC') filings and rates among the Companies. In this proceeding, the Companies seek '. . . Commission approval . . . to make a consolidated PGC filing with [UGI Gas] and PNG in 2018.'

OSBA Statement No. 1, at 1 (footnote omitted).

First, the OSBA submits that a Section 1307(f) purchased gas cost proceeding is not the venue where substantive consolidation should be litigated. The subject matter of a Section 1307(f) is to reconcile natural gas costs, not to materially change how corporate subsidiaries function. Furthermore, Section 1307(f) cases are on an accelerated procedural schedule. Investigating a proposed "consolidation" along with reconciling natural gas expenditures in such a shortened timeframe is impossible.

Second, the Company's proposed "consolidation" was not a detailed, fully thought-out proposal. Mr. Knecht explained, as follows:

¹ Section 1307(f) filings were submitted by CPG, UGI Gas Utilities, Inc. (Gas Division) ("UGI Gas"), and UGI Penn Natural Gas, Inc. ("PNG").

While the Companies' plan does not appear to be finalized, it is anticipated that gas costs and over/under-collections will be consolidated, and that consolidated C-Factor and E-Factor PGC rates will apply to all PGC customers across the three Companies. It does not appear that the Companies' have determined as yet how demand charges for transportation service customers will be derived.

OSBA Statement No. 1, at 1 (footnote omitted).

Ultimately, Mr. Knecht summarized the OSBA's position, as follows:

It is unclear exactly what approvals the Companies are requesting in this proceeding, nor is it clear what the implications of such approvals would be for subsequent evaluation of the specifics of a potential PGC consolidation.

The OSBA is concerned that Commission approval of the Companies' request in the current proceedings will implicitly support the Companies' eventual request for consolidation, despite the fact that there is little or no information offered in this proceeding as to the specifics of the consolidation being contemplated.

The OSBA concludes that it is not at all clear whether affiliated interest agreements or other administrative or legal matters need to be addressed as part of the contemplated consolidation of the PGC.

The OSBA retains its position that it is legally inappropriate for this issue to be addressed in annual PGC proceedings.

OSBA Statement No. 2, at 1-2.

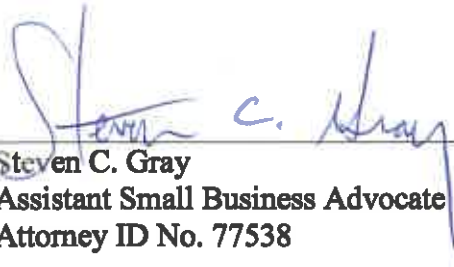
The *Stipulation* proposes to adopt the OSBA position on this issue and eliminate the Company's consolidation proposal from this proceeding. The OSBA fully supports this result.²

² The OSBA supports the *Stipulation's* proposal to hold collaborative discussions on how to "streamline" future UGI Section 1307(f) cases. Judicial economy is a goal always worthy of pursuit.

Conclusion

For the reasons set forth in the *Stipulation*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Stipulation* and respectfully requests that the ALJ and the Commission approve the *Stipulation* in its entirety.

Respectfully submitted,



Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538

Office of Small Business Advocate
300 North Second Street, Suite 202
Harrisburg, PA 17101

Dated: August 9, 2017

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission :
: **Docket No. R-2017-2602627.**
v. : **C-2017-2604117**
: **UGI Central Penn Gas, Inc.**
: **2017 Purchased Gas Cost Recovery** :

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, via email and US Mail (*unless otherwise indicated*), in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

The Honorable Steven K. Haas
Administrative Law Judge
Pennsylvania Public Utility Commission
2nd Floor West, Keystone Bldg.
Harrisburg, PA 17120
sthaas@pa.gov
(Email and Hand Delivery)

Anthony D. Kanagy, Esquire
Devin T. Ryan, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
akanagy@postschell.com
dryan@postschell.com

Scott Granger, Esquire
Bureau of Investigation & Enforcement
400 North Street, 2nd Floor West
Harrisburg, PA 17120
sgranger@pa.gov
(Email and Hand Delivery)

Commission's Office of Special
Assistants (OSA)
ra-OSA@pa.gov
(E-mail ONLY)


Danielle Jouenne, Esquire
UGI Corporation
460 North Gulph Road
King of Prussia, PA 19406
JouenneD@ugicorp.com

Paul J. Szykman
Vice President, UGI Utilities Inc.
2525 North 12th Street, Suite 360
Reading, PA 19612-2677
pszykman@ugi.com

Aron J. Beatty, Esquire
Lauren M. Burge, Esquire
Office of Consumer Advocate
555 Walnut Street, Forum Place, 5th Floor
Harrisburg, PA 17101
abeatty@paoca.org
lburge@paoca.org
(Email and Hand Delivery)

Pamela C. Polacek, Esquire
McNees Wallace & Nurick LLC
100 Pine Street, PO Box 1166
Harrisburg, PA 17108-1166
ppolacek@mcneeslaw.com

Date: August 9, 2017


Steven C. Gray
Assistant Small Business Advocate
Attorney ID No. 77538